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O.O. 1636
IP-478

SINO-SOVIET BLOC CAPABILITIES TO PROVIDE ECONOMIC ASSISTANCE TO EGYPT UNDER CONDITIONS OF WESTERN SANCTIONS

To fully test the capability of the Sino-Soviet Bloc to provide assistance required by Egypt under conditions of Western economic sanctions, it is assumed that supplies from free world countries could be effectively cut off but that a blockade would not be imposed.

Under these conditions Egypt may be expected to turn increasingly to the Sino-Soviet Bloc for certain essential imports--principally petroleum products and food--and for shipping. It is concluded that, if the Bloc so desires, it can supply these imports with little strain on its own economy. In addition, Egypt's present balance of gold and other non-blocked convertible currency is sufficient to make up her anticipated foreign exchange deficit for at least two years, without earning any foreign exchange from the Suez Canal.

Foreign Exchange

The freezing of Egypt's foreign exchange holdings in the UK, France and the US has made two-thirds of Egypt's foreign balances unavailable for commercial use. However, a $293 million balance, mostly gold, is still available to Cairo. Egypt may also be able to obtain additional foreign exchange from other Arab states.

Since World War II Egypt has consistently run a deficit in its commodity trade. Although partially offset by Suez Canal payments, these deficits have caused a fairly steady drain on foreign exchange reserves. A year ago the Egyptian government attempted to restrict imports, two-thirds of which were from Western Europe and the US, in order to stop the deterioration of its foreign exchange position. Imports in the first 5 months of 1956, however, were 30 percent greater than those for the same period in 1955. Since the seizure of the canal and in part resulting from the freezing of Egypt's foreign exchange holdings, Egypt has barred the import of such items as cotton textiles, chemical fertilizers, soap, paper, automobiles and household appliances.

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Without the imposition of economic austerity, Egypt's 1956 deficit was expected to exceed its 1955 deficit of $62.7 million. Even in the event of a Western boycott of the Canal, which would cut canal foreign exchange earnings sharply, the unblocked foreign reserves would last probably for two years. In the absence of such a boycott, the addition of up to $100 million annually in foreign exchange gross receipts from the Suez Canal would further bolster Egypt's position.

Exports

Proceeds from the export of cotton, Egypt's largest and most important cash crop, were over $500 million in 1955, more than 50 percent of her foreign exchange earnings from exports. Exports from the 1956 crop are estimated at 340,000 tons, half of which is already committed to the Bloc as compared with one-third last year. The Bloc would easily absorb Egypt's entire 1956 exportable surplus which represents only 11 percent of total Bloc production. If the Bloc chose not to keep all the Egyptian cotton it could recall its orders in Western markets, presumably at discount prices--as was reported to have been done in early 1954.

Imports

Three-quarters of Egypt's imports consist of essential consumer goods, fuel and capital goods. The two most essential commodities are wheat and petroleum.

The Egyptian wheat crop for 1956 is expected to be about 1,500,000 tons. Import requirements for the 1956-57 consumption year total 600,000 tons of which the USSR has agreed to supply 250,000 tons. The remaining 350,000 tons could also be supplied by the Bloc.

Egypt produced 1,200,000 tons of petroleum in 1955, less than half of its requirements. Imports from the Bloc, principally the USSR and Rumania, provided about 20 percent of Egypt's imports. Egypt's share was less than 10 percent of the Bloc's total export of POL to the free world.

Egypt's total supply in 1956 is estimated to be 4,000,000 tons of which 2,000,000 tons will come from domestic production. The Bloc will probably provide around 1,000,000 tons, about half of the deficit--more than twice that provided in 1955.

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If all Western sources of petroleum to Egypt were cut off, which seems unlikely, the Bloc could make available the total quantity of oil necessary to meet Egypt's deficit, which is but 2 percent of total Bloc production.

On 31 May 1956 stocks of petroleum products in Egypt represented about 90 days of normal supply. No later information is available but on the basis of the imports subsequent to 31 May it is believed that current inventories remain at about the same level.

Shipping

Egypt's foreign trade volume in 1955 is estimated at 6.5 million tons of which 4.4 million tons were imports, including 2.3 million tons of petroleum.

Dry cargo shipping requirements to handle all of Egypt's 1955 foreign trade are estimated to be at least 180,000 tons of lift capacity. Egypt's 24 dry cargo vessels could carry a substantial amount of this trade. Total Bloc shipping available consists of about 2.8 million tons of dry cargo lift capacity. The exclusive use of Soviet Bloc vessels to handle Egypt's foreign trade would mean an allocation of about 5 percent of the Bloc's available dry cargo fleet.

In addition, about 100,000 tons of tanker lift capacity, or about 15 percent of the Bloc's available tanker fleet would be required. The diversion of this tanker tonnage by the USSR would be difficult unless they were willing to charter non-Bloc tankers for service on the runs inside Bloc waters. Because COCOM regulations forbid the use of COCOM country tankers in the carrying of Bloc POL to the Far East, the USSR would be unable to replace more than two or three of the Bloc tankers now carrying Bloc POL on routes outside of Bloc waters with chartered non-Bloc tankers. In addition to the use of chartered non-Bloc tankers on certain routes in Bloc waters, the USSR could transport more POL to the Far East on the Trans-Siberian railroad. Also production of KAZBEK class tankers of 10,600 ton capacity will probably continue at the present rate of about 9 per year and when delivered could be used on the Egyptian run.

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Of course, if Western vessels were available for carrying the Suez to moving goods to or from Egypt, the Plan would be able to move this trade without changing the employment of its own vessels.

[redacted] Project 60.1634
12 September 1956

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TABLE I

EGYPT'S BALANCE OF PAYMENTS, 1953-1955
(US $ millions)

	1953	1954	1955
Receipts			
Proceeds of Exports	388.0	401.5	376.8
Suez Canal Dues	83.0	87.9	91.3
British Army Expenditures	35.0	16.1	12.2
Other Receipts	125.2	140.2	176.2
TOTAL	631.2	645.7	656.3
Disbursements			
Payment for Imports	474.4	422.8	523.0
Interest, Dividends, etc.	50.9	52.0	42.2
Travel & Maintenance	27.5	37.2	29.6
Other Expenditures	96.1	114.6	142.7
TOTAL	647.5	626.1	737.5
Overall Balance	-23.3	9.5	-83.7
Accounted for as follows:			
Changes in Sterling Balances	10.0	-6.3	-59.9
Changes in Other Foreign Exchange Balances	-22.4	29.1	7.3
Changes in Commercial Debts to Banks	-11.3	-7.5	4.6
Changes in Other Debts	-1.7	-3.4	-9.9
Errors & Omissions	0.0	0.6	
TOTAL	-25.4	9.5	-58.7

TABLE II

EGYPT'S FOREIGN EXCHANGE ASSETS, 1953-April 1956
(US $ millions)

	31 Dec 1953	31 Dec 1954	31 Dec 1954	30 Dec 1955	30 Apr 1956
Free Sterling	18.1	24.5	98.7	38.7	79.8
Blocked Sterling	426.8	470.7	413.8	358.7	291.2
Gold	174.0	174.0	174.0	174.0	174.0
US Dollars	59.3	33.4	38.2	61.2	72.8
Other Currencies	32.7	29.8	42.8	27.9	32.2
TOTAL	762.0	782.8	774.3	661.4	650.1

Discrepancies in addition are due to rounding.

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TABLE [illegible]

EGYPT'S [illegible] TRADE [illegible]
(percent of total value)

Exports to	1955	1960	1965	1966
[illegible]	9.3	11.6	12.1	9.4
[illegible]	12.5	13.9	11.4	9.8
[illegible]	11.6	6.2	6.7	5.6
[illegible]	5.9	2.4	4.3	5.4
[illegible]	2.1	2.6	5.9	5.3
[illegible]	4.3	5.9	6.2	6.1
[illegible]	7.9	6.6	8.8	8.7
W. Germany	4.4	10.9	10.9	5.7
[illegible]	10.7	7.4	7.3	6.6
Italy	2.9	3.9	1.4	2.1
[illegible]	2.9	4.9	2.6	4.9
Netherlands	2.5	1.9	1.3	1.3
Hungary	2.1	0.3	0.6	1.9
Rumania	2.1			

Imports from				
[illegible]	19.5	9.9	13.5	12.9
[illegible]	10.4	10.6	11.1	17.1
W. Germany	6.6	10.5	11.1	10.5
France	6.4	6.3	10.9	6.7
Italy	5.6	7.1	7.3	6.2
India	3.9	3.1	3.9	3.8
Netherlands	1.6	3.4	3.9	3.3
Japan	3.3	2.9	4.2	3.3
Poland	4.3	3.1	3.1	3.2
Sweden	1.9	2.6	3.9	2.0
Belg./Lux.	2.9	2.3	2.1	1.6
Japan	0.7	0.7	1.4	1.9

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TABLE 17

[illegible] IN EGYPT'S FOREIGN TRADE, 1952-1955
(US $ Million)

[illegible]	1952	1953	1954	1955
[illegible]	363.0	234.9	324.5	293.5
[illegible]	2.3	-	7.5	21.9
Cotton Yarn	6.5	6.7	12.9	12.6
[illegible]	4.9	11.6	6.6	7.5
[illegible]	3.2	3.2	3.4	3.4
Lubricating Oils	4.9	3.3	3.3	3.6
Cotton Used Waste	0.6	8.7	-	1.1
Imports				
Tea, Mate	18.7	23.1	23.3	29.1
Fertilizers	35.1	23.7	30.5	27.9
Iron	18.3	15.4	20.4	24.1
Motor Vehicles	17.3	7.2	10.9	20.7
Lubricating Oils	15.5	11.9	15.7	17.3
Textile Machinery	6.9	4.9	7.5	15.7
Pharmaceuticals	13.3	14.4	14.9	16.4
Tobacco	14.1	13.3	12.5	13.3
Kerosene	19.6	20.1	22.1	13.5
Agriculture Machinery				10.9
Electric Machinery	27.9	23.3	23.3	9.5
Other Iron & Steel Products				12.3
Jute Sacks	4.9	2.9	5.3	
Fruit	9.5	6.9	6.9	9.9
Steel Pipes & Tubes	2.4	2.3	3.2	7.3
Woollen Cloth	10.3	6.0	5.2	6.9
Rubber Tyres	1.7	2.3	6.3	5.5
Wheat & Flour *	114.9	72.9	6.3	1.4
				0.9

* Wheat and [illegible] grain sent to Egypt under P.L. 480 paid for in local currency. Actual wheat imports were:

Consumption Year	Wheat Imports (Metric Tons)
1954-1955	57,000
1956-1956	543,000
1956-1957 (prelim.)	450,000

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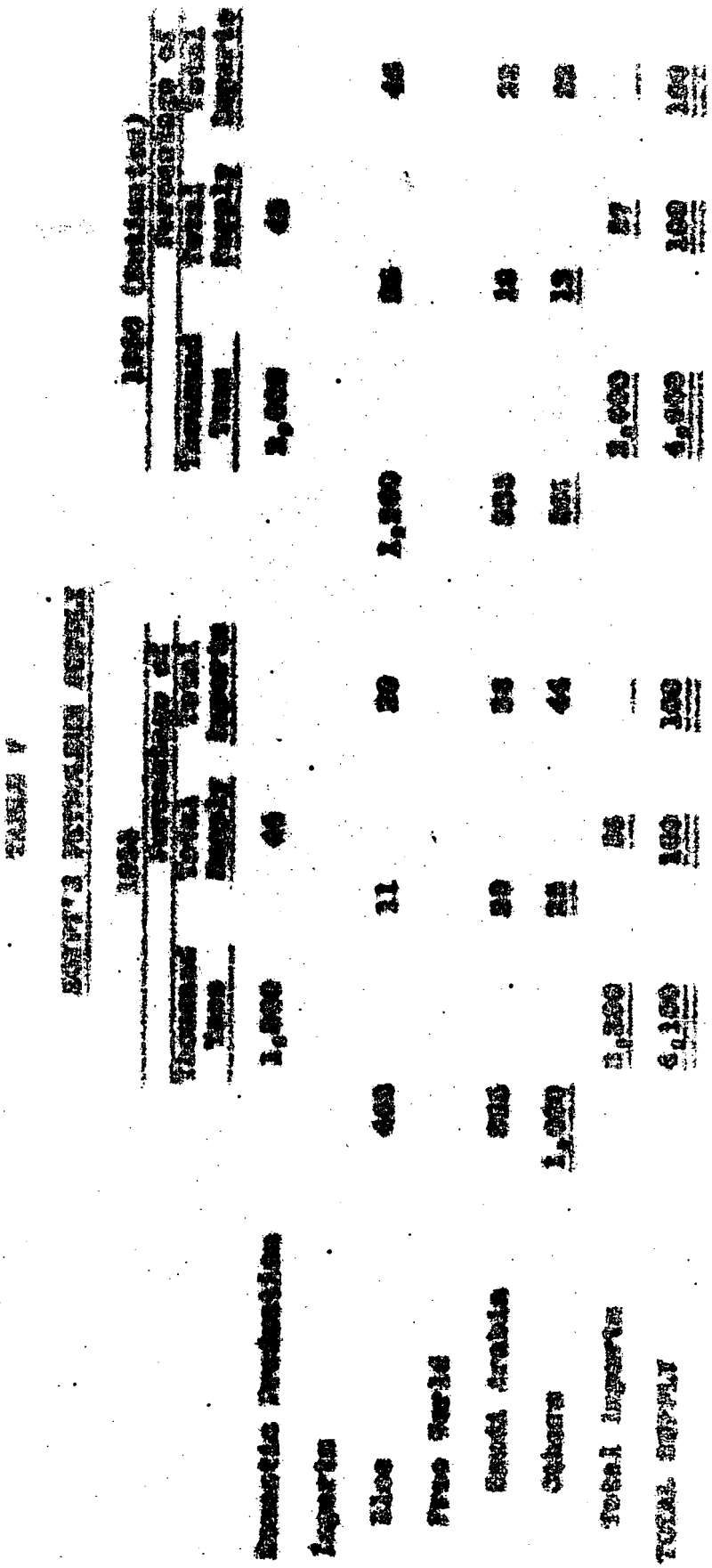

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TABLE II

TRANSPORTATION OF ORE SHIPMENTS TO CHINA

	1952		January to August 1953	
[illegible]	Tons	Percent of Total	Tons	Percent of Total
[illegible]	74,088	16	279,856	35
[illegible]	63,841	14	269,241	34
[illegible]	161,257	35	16,286	2
[illegible]	28,628	6	75,200	10
[illegible]	51,975	16	0	0
[illegible]	85,439	18	0	0
[illegible]	0	0	8,300	1
[illegible]	0	0	13,625	2
[illegible]	0	0	36,818	5
[illegible]	0	0	90,374	11
[illegible]	464,138	100	791,889	100

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TABLE VII

SELECTED MERCHANT FLEET CHARACTERISTICS

	Number of vessels			Gross tonnage		
	Tankers	Dry Cargo	Total	Tanker	Dry Cargo	Total
	0	5	5	0	12,000	12,000
	0	3	3	0	17,000	17,000
	0	2	2	0	2,000	2,000
	2	65	67	21,000	348,000	369,000
	6	5	6	0	32,000	32,000
	51	533	584	440,000	1,331,000	1,771,000
	44	615	659	421,000	1,903,000	2,324,000
	2	24	26	16,000	102,000	118,000
	55	660	715	497,000	1,944,000	2,442,000

Conversion of the carrying capacity of these vessels can be made by multiplying the gross tonnage by 1.5.

TABLE VIII

AVERAGE NUMBER OF VOYAGES AND TONNAGE PER YEAR FOR VESSELS IN EGYPT'S FOREIGN TRADE

	Distance (Nautical Miles)	Approx. Turnaround (Days)*		Approx. No. of Voyages per Year		Approx. Cargo per Year per Vessel in Egypt's Foreign Trade	
		Tanker	Dry Cargo	Tanker	Dry Cargo	Tanker	Dry Cargo
	1,169	18	24	22	15	220,000	75,000
	2,000	28	46	13	7	130,000	35,000
	1,269	14	24	26	15	260,000	75,000
	1,000	32	43	11	8	110,000	40,000
	1,769	44	58	8	7	80,000	35,000
	2,238	66	74	6	5	60,000	25,000

* Assumed speed of 10 knots per hour and 6 days port time for tankers and 4 days port time for dry cargo vessels.
** Assumed average cargo of 10,000 tons for tankers and 5,000 tons for dry cargo vessels.

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